



**MFTF**  
Michigan Foreclosure Task Force

# **Michigan's Ongoing Foreclosure Crisis**

**House Financial Services Committee**  
**March 20, 2013**

## **Michigan Foreclosure Task Force**

- **Broad-based Statewide coalition established in 2007 by CEDAM (Community Economic Development Association of Michigan)**
- **Representing nearly 200 organizations including:**
  - **local/regional foreclosure prevention/response coalitions**
  - **HUD & MSHDA-certified, nonprofit housing counseling agencies & legal service providers**
  - **statewide advocacy organizations**
  - **community development organizations**
  - **state and local government agencies and officials**
  - **lenders, realtors, title companies and other private sector entities and individuals committed to protecting consumers and helping distressed communities**

## Our purpose

- Help homeowners and communities prevent Foreclosures whenever possible
- When not possible, soften their impact on Families, Neighborhoods, Communities and the Economy – All of Us!!!

## What we do

Act as an Information Hub  
 Monthly E-updates, Action Alerts, Historical Foreclosure Data  
 Report & website, Michigan Community Foreclosure Response  
 Toolkit – [www.miforeclosureresponse.org](http://www.miforeclosureresponse.org), Foreclosure 101 Lunch &  
 Learn for Legislators and Staff  
 Advocate Public Policy to Prevent Foreclosures & Soften Impact  
 Step Forward Michigan, go-Day Pre-Foreclosure Negotiation Law,  
 scam prevention, other foreclosure-related state legislation, weigh  
 in on select national policy (CFPB rules, etc.)  
 Support & Promote Use of Legitimate Prevention Resources:  
 Michigan's network of Free, HUD & MSHDA-Certified Foreclosure  
 Prevention Counselors (AG Settlement, Michigan Foreclosure  
 Prevention Corps)

## Michigan's Foreclosure Forecast – Slowly improving but still a *crisis*

Michigan was hit **earlier, harder** and is **taking longer to recover** from the foreclosure crisis than all but a few states in the country.

- Lost half a million Michigan homes to **mortgage** foreclosure since 2005; ([www.corelogic.com](http://www.corelogic.com)) 75,000 foreclosures between Jan. 2012 & Jan. 2013 – 3<sup>rd</sup>, highest in the country for that period
- Lost \$63 billion in property value between 2006 and 2010, \$16 billion per year since
- As of the end of 2012, 32% of Michigan homeowners were “under water” or owe more on their mortgage than their home is currently worth, putting them at risk of foreclosure
- The average cost of a single foreclosure is estimated at \$80,000 while the average cost to prevent a foreclosure through foreclosure prevention counseling is \$3,300 (Joint Economic Commission of the U.S. Congress)
- Tax foreclosures are also a problem, quadrupling in the past 4 years

## Not the same as it was in the beginning.

- Initially driven by sub-prime mortgages, tricky lending products & predatory lending
- Now driven by **unemployment, underemployment** and **underwater** homeowners – homeowners who owe more on their home than the home is currently worth
- Initially limited to urban areas, now spread to suburban and rural areas as well

## Foreclosure Counseling: Our Most Effective Prevention Tool

- Directing at-risk homeowners to free HUD and MSHDA certified foreclosure prevention counselors is the best prevention strategy.
- They are highly trained, certified, unbiased and free to anyone at risk of losing their home.
- Recent research shows that:
  - The counseling and negotiating process increases by 200% the likelihood a homeowner will be granted a loan modification -- a real boon for the thousands of Michigan homeowners crippled by high unemployment and underemployment.
  - Borrowers who had missed a payment on their mortgage were 45% to 50% more likely to catch up on payments if they received this counseling.

## The Impact

- Families destabilized, credit ruined for 5 years
- Neighborhoods pock-marked with vacant properties
- Huge decline in property values
- Housing Market depressed, recovery slow
- Local tax bases eroded
- Increased demand for basic services/decrease in the property tax revenue to provide them
- We are ALL affected!!!

## Foreclosure Counselors . . .

- Educate homeowners to Michigan's foreclosure process
- Inform them of their foreclosure prevention options
  - (repayment plan, loan modification, forbearance, short sale, etc.)
- Determine their eligibility for state and federal programs (HAMP, Step Forward Michigan- \$498 million)
- Assist with the paperwork involved in working with the lender
- Contact the lender & advocate for homeowner
- Refer them to Legal Aid if needed

## Michigan Foreclosure Method

Nationally, Two Mortgage Foreclosure Methods Used :

1) Judicial Foreclosure – Lender takes homeowner to court

2) Foreclosure by Advertisement - Lender schedules a Sheriff's Sale to auction off the home and advertises that sale in a local newspaper for 4 consecutive weeks

Michigan is a Foreclosure by Advertisement state

- Significantly shorter timeline than Judicial Foreclosure
- Fewer protections for the consumer
- Easier for lenders to foreclose

Note: Both types of foreclosure can and do occur in Michigan, but nearly all are foreclosure by advertisement

## Michigan Foreclosure Process & Timeline

- Mortgage due on the 1<sup>st</sup> of the month. If not paid by 30<sup>th</sup>, loan is in default. When a loan is 60 days past due, lender warns that foreclosure is the next step.
- After 90 days, lender typically begins the foreclosure process. Some wait until 120 days ( recent counselor survey).
- Lender advertises four weeks in a row that the property is for sale by auction.
- A Sheriff's sale (auction) is held on the published date.
- Homeowner has 6 months (redemption period) to redeem the property, sell it on a short sale or find a new place to live.
- If homeowner abandons the property, the owner can ask the court to reduce the redemption period to 30 days.

## Michigan's "90-Day" Pre-Foreclosure Negotiation Law

- Went into effect July 5, 2009 - Applies to all lenders and any homeowner at risk of losing their primary residence
- Brings at-risk homeowners & lenders together by requiring a meeting to try to work something out to avoid foreclosure
- Directs at-risk homeowners to free, certified foreclosure-prevention counselors and legal aid attorneys to explain and assist in the process

## **90-Day Law cont'd:**

- Provides a 90-Day Pre-Foreclosure Negotiation Period that begins when the lender/servicer notifies the borrower they are initiating foreclosure, which can occur anytime after the homeowner is in default
- Lenders must notify homeowners in writing of the law's protections
- Homeowners must opt into those protections by notifying the lender in writing

## **90-Day Law cont'd.**

- Prevents lenders from "dual tracking" - proceeding with the foreclosure process while at the same time working with a borrower on a loan modification.
- Law has been extended and amended to include a 30/60/90 day action framework to make clear the responsibilities and deadlines for the borrower and the lender/servicer during that 90-Day period.
- Borrower liable for damages to the property during the redemption period.
- Temporarily extended till the end of June to allow for seeing how new CFPB rules will affect the law.

## New CFPB Mortgage Servicing Rules & the 90-Day Law

- New rules go into effect January 2014 (Gap of 6 months between sunset of 90-Day Law and new CFPB rules)
- CFPB Servicing Rule that is relevant to the 90-Day Law is the Loss Mitigation Rule which prohibits All Lenders from:
  - Initiating foreclosure until borrower is 120 days or more delinquent (little change to current practice – survey)
  - *Dual Tracking* – proceeding with foreclosure while in the process of negotiating a loan modification

## Michigan's 90-Day Law & New CFPB Rules

- Is compatible with new CFPB Rules
- Aligns with emphasis on lenders reaching out to delinquent borrowers as early as possible
- Aligns with the requirement that lenders not initiate foreclosure until a borrower is 120 days or more delinquent
- In terms of timeframe, the 90-Day law is nestled within that 120 period



## **Additionally,**

Michigan's 90-Day law strengthens the CFPB rules by addressing the following not included in those rules:

- Requires a meeting between the lender and delinquent borrower to try to avoid a foreclosure
- Requires that the lender include a list of both HUD *and* MSHDA-certified foreclosure prevention counselors
- Prohibits a person who is not on this list from performing the duties of a housing counselor (protection from scammers)
- Sets basic standards for a loan modification (Michigan Loan Modification)

## **MFTF as a Resource**

We look forward to serving as an information resource to the committee and to working you on the extension of the 90-Day law and other foreclosure-related policies.

## **QUESTIONS?**





## Michigan Foreclosure Task Force

### 2013 Policy Priorities

- Extending Michigan's 90-Day Pre-Foreclosure Negotiation Law
- Cracking down on foreclosure rescue scams
- Securing funding for foreclosure/homeowner counseling and education
- Encouraging and supporting sound tax foreclosure policy

To become a member of the MFTF, please visit [foreclosure.cedam.info](http://foreclosure.cedam.info) to submit your online application.

While MFTF plans to focus its energies in these critical areas, we also know that the rapidly changing landscape for the foreclosure crisis may require us to address additional issues yet to emerge.

CEDAM and its partners created The Michigan Foreclosure Task Force (MFTF) in 2007 to respond to the foreclosure crisis by serving as a statewide clearinghouse for foreclosure-related information and providing a unified voice on foreclosure-related public policy. The MFTF is focused on reducing the number of foreclosures, keeping families—including homeowners and renters—in their homes and softening the impact of foreclosures on families, neighborhoods and communities.

The MFTF does this by:

- Serving as an information hub for housing counselors, consumer advocates, legislators, homeowners and renters for timely, reliable, foreclosure-related information;
- Advocating for policy changes for strong consumer protection and foreclosure mitigation laws; and
- Helping nonprofit counseling agencies build capacity to better serve clients and meet the needs of the communities in which they serve.

Visit us online at [foreclosure.cedam.info](http://foreclosure.cedam.info)

## Get Involved

MFTF members include certified, nonprofit housing counseling agencies, legal service providers, community development organizations, state and local government agencies and officials, lenders, private sector partners and individuals who are committed to protecting consumers and helping distressed communities. By creating and leveraging resources and advocating for proactive policies and programs, the MFTF seeks to reduce the number of foreclosures and revitalize communities.

Additional resources for foreclosure prevention can be found in the Community Foreclosure Response Toolkit, an interactive one-stop shop of Michigan-specific strategies for mortgage and tax foreclosure prevention and response. This toolkit is available online at [miforeclosureresponse.org](http://miforeclosureresponse.org).

## The Michigan Foreclosure Prevention Corps (MFPC)

The MFPC is an initiative designed to help combat foreclosures in Michigan by placing AmeriCorps members at HUD- and MSHDA-certified nonprofit housing counseling agencies across the state.

MFPC members increase counseling agencies' capacity to serve homeowners in need by taking on critical support functions like intake, triage, marketing, outreach, education and generating a sustainable volunteer base. There are currently 20 MFPC members serving throughout Michigan. For more information about the MFPC, please visit [foreclosure.cedam.info/mfpc](http://foreclosure.cedam.info/mfpc)



## Connect with MFTF



Michigan Foreclosure Task Force



COMMUNITY ECONOMIC DEVELOPMENT  
ASSOCIATION OF MICHIGAN

online: [foreclosure.cedam.info](http://foreclosure.cedam.info) facebook: [MichiganForeclosureTaskForce](https://www.facebook.com/MichiganForeclosureTaskForce)

MFTF is a program of CEDAM. To learn more, please contact us today!

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